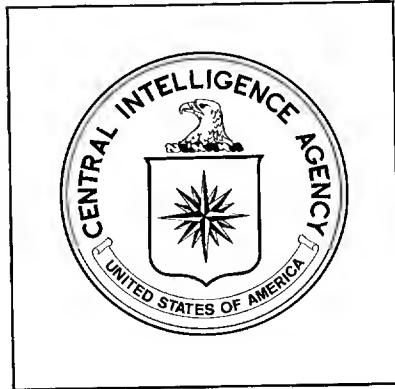


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SOVIET UNION - EASTERN EUROPE

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Arafat in Moscow: The Public Record

Last week's visit of a PLO delegation headed by Yasir Arafat to Moscow seemed to break little new ground.

The communique marking the end of the visit indicates that Arafat gave little more than lip service to Moscow's initiative of November 9 to reconvene the Geneva conference. The Palestinians seem to be looking to the UN to generate momentum for their cause, but Moscow is cool to pursuing Middle East issues in a forum where its influence will be diluted.

The Soviets apparently again unsuccessfully pressed Arafat to make some move toward affirming Israel's right to exist. The communique did say that a Middle East settlement should be achieved on the basis of UN resolutions and the UN charter. Although the Soviets can take this as implicit acknowledgement of Israel's existence, the verbiage is sufficiently ambiguous to leave Arafat considerable room for maneuver.

Although the communique predictably knocked Sinai II and castigated "certain quarters" for undermining Arab unity, it did not criticize either Sadat or the US by name.

Arafat's reception in Moscow was similar to that he received during his previous visit last spring. He had no conversations with any official higher than Foreign Minister Gromyko and party secretary Ponomarev. Last spring, Arafat had a brief, ceremonial encounter with Brezhnev; this time he was accorded somewhat greater media coverage.

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The Soviets continue to withhold formal endorsement of the PLO as the sole legitimate representative of the Palestinians. As a result, Moscow is able to maneuver among different fedayeen factions, and exercise some leverage over Arafat.

The situation in Lebanon and Soviet arms supplies to the fedayeen were undoubtedly discussed but were not mentioned in the communique. Three fedayeen leaders with military responsibilities went to Moscow with Arafat, suggesting that the Palestinians intended to press for additional arms supplies to replace weapons given to Lebanese leftists. (CONFIDENTIAL)

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~~SECRET SPOKE~~Husak Visits Moscow

The visit of Czechoslovak party chief and President Husak to the USSR last week was long on ceremony but short on substance.

The Soviets pulled out all the protocol stops for the Czechoslovak delegation, with special emphasis on Husak. Brezhnev and six other Politburo members met and saw off the delegation, the two leaders had a private meeting, all Moscow-based Politburo members attended the Kremlin reception, and Brezhnev put in an appearance at the Czechoslovak embassy's reception. In addition, the visit pointed up the personal relationship between Husak and Brezhnev, and the final communique expressed complete mutual confidence and respect "between the two central committees headed by comrades L. I. Brezhnev and G. Husak."

Husak responded with expansive praise for Brezhnev as a person and with "enthusiastic" support for his policies. The final communique pledged both sides to continue close coordination of foreign political activity, to "perfect the cooperation within the Warsaw Pact," and to share "to the maximum" the task of CEMA integration. It also reaffirmed mutual resolve to complete the preparations and hold a European communist party conference.

Both sides expressed "deep satisfaction" with the results of CSCE and pledged to "consistently carry out the principles and agreements enshrined in the final act." Brezhnev lashed out against Western enemies of detente in his November 25 Kremlin toast, and Husak warned that the only alternative to detente is a return to the cold war.

The substance of the talks has not been revealed. Statements by Husak in a post-trip interview, however, suggest that economic topics, including cooperation

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beyond 1980, were involved. This impression is reinforced by the presence of the Czechoslovak State Planning head.

The communique's wording on strengthening the struggle against "all manifestations of anti-communism, revisionism, and opportunism" may refer to the Czechoslovak dissidents who continue to needle the regime. The language could also apply to Western communists who have been the subject of sharply worded articles in the Soviet press.

The communique denounces the Maoists, against whom Prague appears willing to serve as Moscow's shield-bearer. (*Staff Notes*, November 26, 1975).
(CONFIDENTIAL)

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SECRET SPOKEMoscow and Bucharest Sign Protocol--At Last

After weeks of difficult negotiations, Romania and the Soviet Union finally signed their 1976-80 economic plan coordination protocol on November 28. The protocol is the last to be concluded between the USSR and the other CEMA member countries. Most of the others were signed in September and October.

The short, restrained Tass announcement is indicative of the problems encountered during the prolonged negotiations. For example, there is no reference to a "warm" or even "comradely" atmosphere. Neither is there "agreement" on the types of industrial cooperation to be carried out, only an "understanding" on joint cooperation in mining, metallurgical, and cellulose-paper industries. These three industries are CEMA multilateral projects in which Romania is already involved--cellulose at Ust Ilim, asbestos at Kiembayev, and ferro-alloys at Kursk.

The Soviets agreed to deliver several unspecified types of raw materials but apparently did not accede to Romanian requests for oil and for large increases in coking coal. The Soviets also agreed to deliver equipment for Romania's metallurgical, energy, and chemical industries.

For its part, over the next five years Bucharest will send to the USSR ships, machinery for the production of mineral fertilizers and for the oil industry, and chemical and metal casting equipment.

The climate may now be slightly improved for a CEMA summit. The embassy in Moscow, however, reports no word on progress in resolving Romanian-Soviet differences over future CEMA-EC relations.
(CONFIDENTIAL)

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Hungary: Central Committee Discusses Economics

The party Central Committee approved the main lines of Hungarian economic development until 1980 and decided on consumer price increases at a two-day session that ended November 27.

Under the new plan targets, the economy will grow at a slower rate, and standard of living improvements will not match those of the past five years. The regime has pared back investment growth rates and is clearly counting heavily on productivity gains to spur economic growth. These more modest goals, which were hinted at earlier by top-level spokesmen, are necessary because the resource-poor Hungarian economy has been severely strained by higher Western and Soviet prices for oil and other raw materials.

The communique also stressed the importance of increasing trade with the West and re-establishing the equilibrium in Hungary's balance of trade with the West, which has been running a yearly deficit since 1970. Budapest wants to import Western technology to make its products more competitive in the West, but has been unable to increase exports enough to pay for these vital imports.

Trade with the West is slated to increase faster than trade with the Communist bloc. In an apparent effort to hedge against further possible deterioration in Hungary's terms of trade, national income is to increase faster than total domestic consumption and investment. Normally, the latter two categories add up to total national income. In 1974, Hungary's terms of trade with the West deteriorated by approximately 15 percent.

In an apparent effort to stifle any rumormongering on consumer price increases, the regime laid out its plans through 1976. Sugar prices will immediately

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increase 50 percent and prices of meat products will go up an average of 32-33 percent next July. Retail prices of those building materials, furniture, paper products not raised in August and of certain services will be increased on January 1. While the early announcement may lead to some hoarding, the regime probably calculated that this was preferable to uncertainty. On the other hand, the Hungarian action may give new impetus to rumors of price increases elsewhere in Eastern Europe.

At one time, the increase in prices of meat products was scheduled for January. The delay in their implementation may be in deference to Polish sensitivities. Moreover, they will be partially offset by special wage and income raises. (CONFIDENTIAL)

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